

NIV 969012
By ST/VSW Date 4/2/71

KABUL TOAID A- 375

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ATTACHMENT "A"

No. 1325

July 20, 1970

His Excellency Robert G. Neumann
Ambassador of the United States of America
Kabul, Afghanistan

Your Excellency:

The Government of Afghanistan wishes to request 100,000 metric tons of wheat under the P.L 480 program for delivery during the Afghan calendar year 1349 which ends March 21, 1971.

The wheat is urgently needed to supplement domestic supplies of foodgrains which are expected to be unusually low this year because of drought conditions which are adversely affecting the 1970 harvest of cereal crops namely wheat, corn, barley and to a lesser extent rice.

The overall cereal crop harvest for 1970 is expected to be some 16 percent (600,000 to 700,000 metric tons) less than the 1969 harvest; and about 8 percent (300,000 tons) below the five-year annual average of total foodgrain production for the period 1965-69. Current estimates of the 1970 harvest for various cereal crops compared to last year's bumper crops are as follows: total wheat crop down 15 percent or 400,000 tons (irrigated wheat down 5 percent or 100,000 tons and dryland wheat down 50 percent or 300,000 tons); corn crop down 15 percent or 100,000 tons; barley crop down 25 percent or 90,000 tons; and the rice crop down 10 percent or 40,000 tons.

This year's wheat prices at harvest time are currently running around 45 percent higher than a year ago at the same time in most areas of the country. With the coefficient of price elasticity of demand for wheat estimated to be between ± 0.3 and ± 0.5 in Afghanistan, a 45 percent increase in the price of wheat would indicate roughly a 13 to 22 percent decline in domestic wheat production. Pre-harvest prices for corn are currently running around 35 percent higher than a year ago in anticipation of a poor harvest for this important summer irrigated foodgrain crop which is likely to be even more severely affected by short supplies of irrigation water than was irrigated winter wheat harvested during May thru July. The current price of barley is 70 percent higher than a year ago at this time.

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The drought conditions this year in Afghanistan are due to a substantially less than average snow pack last winter in the mountain ranges upon which river irrigation depends, light and infrequent winter and spring rains in the major wheat producing regions of the country, and higher than normal spring and early summer temperatures which caused faster than optimum ripening and drying-out of the wheat crop, all of which has affected wheat yields adversely in most areas of the country. This year the Kajaki and Arghandab reservoirs failed to spill for the first time since 1966. In 1966 the snow pack was light and the wheat crop was substantially below average as is the case during the current crop year.

The increased use of improved wheat varieties and fertilizer (estimated at around 10 percent of the total irrigated wheat acreage for 1970) no doubt has helped to make the situation less critical this year than it otherwise would have been. The prospects for continued expansion in the use of improved seeds and fertilizer are good and with private sector distribution of fertilizer emerging, we are confident that this year's situation is temporary and that permanent self-sufficiency in foodgrains will be achieved in the near future.

Because of the foodgrain shortage this year and the anticipation of even higher domestic grain prices during the coming winter and spring months it will be impossible for the Government of Afghanistan to purchase the projected 60,000 tons of wheat from domestic sources under its wheat purchase and price stabilization program. Government domestic grain purchases are likely to be not more than 20,000 tons this year. Government stocks of wheat on hand going into the current harvest season which were carried over from last year's domestic purchases and imports are estimated at around 100,000 tons. The amount now in government storage and the anticipated small amount of government purchases of domestic wheat this year will fall far short of the requirements to help meet the bread-grain shortages which are expected to develop before the 1971 crop is harvested. Therefore, there will be a need to import wheat during the next 10-12 months beginning as soon as possible. A total of 150,000 tons of wheat is the minimum import requirement for 1970/71 and is an amount which can be stored and handled satisfactorily.

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The 100,000 tons of PL 480 wheat being requested here is urgently needed and will help to alleviate what could develop into a serious breadgrain shortage and price situation later in the year. Furthermore, the Government of Afghanistan is faced with continuing serious financial and balance of payments problems. Hopefully, the positive actions and corrective measures now being adopted by our government will help to improve the situation, but it will take time for the results of these financial reforms to be felt. The Government of Afghanistan hopes that the United States Government will respond favorably to this request for PL 480 wheat assistance.

Respectfully yours,

/s/ A. W. Sarabi

Dr. Abdul Wahed Sarabi
Minister of Planning

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